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DYNEGY

Via Overnight Delivery

June 9, 2014

Jared Blumenfeld
Regional Administrator
U.S. Environmental Protection Agency
Region 9
75 Hawthorne Street
San Francisco, CA, 94105

Re: South Bay Power Plant – Belowground Demolition Project – Demolition/Reuse of Power Block Trench and Sump Concrete; Notification of Self-Implementing Cleanup under 40 C.F.R. § 761.61(a)(3)

Dear Mr. Blumenfeld:

Dynegy South Bay, LLC ("Dynegy") submits this notification of self-implementing on-site cleanup and disposal of polychlorinated biphenyls ("PCBs") under 40 C.F.R. § 761.61(a) for the demolition and reuse of concrete from the trenches and sumps at the South Bay Power Plant. For convenience, all references in this letter to "trenches" include the associated sumps.

Background

Dynegy is the ground lessee of the South Bay Power Plant ("SBPP" or the "plant"), located at 990 Bay Blvd., Chula Vista, California. See Figure 1. The Dynegy leases the plant from the Unified Port District of San Diego ("Port"), which acquired the facility from San Diego Gas & Electric Company ("SDG&E") in 1999. Since its acquisition of the plant, the Port has leased the plant to a series of operators, including, most recently, Dynegy, which leased the plant in April 2007. Upon termination of the plant's Reliability-Must-Run Status by the California Independent System Operator, SBPP permanently ceased operation on December 31, 2010, and is currently in the process of being demolished by Dynegy, in accordance with the end-of-term obligations of the lease. The plant site is within the Chula Vista Bayfront Master Plan area and is slated for eventual redevelopment consistent with that Plan.

All demolition work is being done in accordance with requirements of, and/or permits issued by, the California Coastal Commission, the U.S. Army Corps of Engineers, the City of Chula Vista, the State Water Resources Control Board, the San Diego Bay Regional Water Quality Control Board, the San Diego County Air Pollution Control District, the Port, the California Department of Toxic Substances Control and other state and local agencies.

As approved by all agencies, the demolition project is proceeding in two phases: aboveground demolition and belowground demolition. The California Coastal Commission, as the lead agency for both the aboveground and belowground demolition projects, conducted an

environmental assessment of both projects, in accordance with its obligations under the California Environmental Quality Act.

The aboveground demolition, including implosion of the power block, was completed in February 2013. At present, the only activity being conducted is the belowground demolition, which is generally contractually limited to removal of structures (e.g., piping, equipment, foundations, etc.) to a depth of four feet below grade, and the partial removal of certain in-water structures. The entire concrete foundation of the power block, which extends to a depth of 12 feet in certain areas, will be demolished. These activities are being carried out by Dynegy, pursuant to its end-of-term obligations under the lease and related agreements.

The belowground demolition project does not include any remediation activity. As approved by the agencies, any and all site remediation and/or restoration work will be conducted at a later point in time, in accordance with the various other contractual agreements between the Port and SDG&E and between the Port and Dynegy and other relevant agreements pertaining to the Bayfront Master Plan redevelopment process. Dynegy is not a party to any of the Bayfront Master Plan agreements.

40 C.F.R. 761.61(a)(3) Notification

The notification relates to solely to the concrete trenches and sumps that exist in the floor of the power block. While, as explained below, we do not believe the concrete in these structures is subject to regulation as "PCB remediation waste," out of an abundance of caution and a desire to comply fully with all potentially applicable regulations, Dynegy is submitting this notification of "self-implementing on-site cleanup and disposal of PCB remediation waste" to the U.S. Environmental Protection Agency ("EPA") pursuant to 40 C.F.R. § 761.61(a)(3).

Importantly, this notification concerns only one limited aspect of our belowground demolition activities, namely the handling and disposition of concrete that is being removed from trenches and sumps located in the foundation of the power block. See Figure 2. These trenches and sumps occur in a network across the foundation, and cover an area of approximately 5,000 linear feet. During the plant's operating life, this system of sumps and trenches accumulated drips and leaks of oil and condensate from the electrical generating equipment and other wastes which had the potential to contain PCBs. Dynegy has no information that indicates the timeframe during which PCBs might have been released into the trenches, but we do have reliable anecdotal evidence indicating that SDG&E emptied and flushed the plant's transformers at or about the time PCBs were banned from use. When the plant was shut down at the end of 2010, the contents of the trenches and sumps were pumped out, characterized by Fletcher Consulting and properly disposed of as PCB waste in accordance with applicable TSCA regulations. The trenches and sumps were then thoroughly cleaned and inspected by Fletcher.

Prior to beginning demolition of the power block concrete foundation, The Bodhi Group (the environmental consultant for the demolition contractor) collected a total of 26 samples from the concrete trenches, sumps and power block floor and analyzed them for PCBs using EPA Method 8082. A total of five samples were collected from trenches and/or sumps in Unit 1, nine samples from Unit 2, five samples from Unit 3, and four samples from Unit 4. In addition, three samples were collected from areas of the floor that had pronounced staining.

The samples were analyzed by CalScience Environmental Laboratories, and each sample was determined to have a PCB concentration of less than 0.5 ppm. No compositing of samples or averaging of results was performed. The trench and sump system schematic and the trench/sump sample locations are shown on Figures 2 and 3, respectively, and analytical results are reported in Figure 4 and on Tables 1 and 2. Dynegy also retained Exponent, Inc. to evaluate the sampling frequency to confirm that an appropriate number of samples were collected for characterization of the trench concrete, as specified in 40 C.F.R. Part 761, Subpart N. Exponent's evaluation is provided in Attachment A, and confirms that an adequate number of samples were collected. For further confirmation, CH_2M Hill, Dynegy's environmental professional for the demolition project, also collected a total of 12 wipe samples from the trenches, each of which was tested by CalScience and determined to be non-detect for PCBs.

Prior to performing any belowground demolition activity, Dynegy also prepared a Demolition Soil Management Plan, which addresses the disposition of soils and concrete that will be excavated or removed during the course of demolition activities. Because soils and concrete debris at the plant site have the potential to contain hazardous substances, Dynegy requested review and approval of the Demolition Soil Management Plan from both the San Diego Regional Water Quality Control Board ("Regional Board") and the California Department of Toxic Substances Control ("DTSC"). These approvals were granted on September 11 and September 13, 2013, respectively. A copy of the approved Demolition Soil Management Plan is included in Attachment B. Please note that DTSC and the Regional Board approved the on-site reuse of concrete as fill at the plant site so long as no site cleanup goals are exceeded. These cleanup goals are contained in Table 1 of the Demolition Soil Management Plan. The cleanup goal for most PCB Aroclors is 0.74 ppm (a cleanup goal of 0.54 ppm was established for Aroclor 1221 and Aroclor 1232). Concrete exceeding these concentrations may not be used as fill, and must be sent off-site for disposal at an appropriate facility.

Prior to beginning any demolition of the trench concrete, Dynegy contacted DTSC regarding the potential applicability of the PCB mega-rule (40 C.F.R. Part 761) to the concrete and was informed that PCBs are not regulated at as-found concentrations below 1 ppm. However, DTSC advised that it did not have authorization under the Toxic Substances Control Act and recommended that Dynegy contact EPA for confirmation that the trench concrete was not regulated under TSCA.

Dynegy therefore contacted EPA Region 9 personnel, through its technical consultant and through legal counsel, to confirm that the PCB mega-rule is not applicable to the trench concrete based on the *de minimis* concentrations of PCBs identified during pre-demolition sampling (i.e., < 0.5 ppm and non-detect wipe samples). Dynegy does not believe that the trench concrete can reasonably be classified as "PCB remediation waste" for a variety of reasons: (1) Dynegy has no information which supports or suggests that the original source concentration of the *de minimis* as-found concentrations in the trench concrete exceeded 50 ppm; (2) SDG&E removed PCB-containing oil from each of the plant's transformers, and cleaned and flushed the transformers at or about the time PCBs were first banned from use; (3) all trench concrete sample results are below the most restrictive PCB cleanup level set forth in the TSCA regulations, i.e., ≤ 1 ppm without further conditions for high occupancy areas (see 40 C.F.R. § 761.61(a)(4)(i) and (iii)); and (4) all wipe samples are less than the decontamination standard for concrete of ≤ 10 µg/100 cm^2 (recognizing that this standard

applies to decontamination commenced within 72 hours of a spill, which is not the case here) (see 40 C.F.R. § 761.79(b)(4)). These initial contacts were made to Carmen Santos, PCB Spill Cleanup Officer, and Carol Bussey, Office of Regional Counsel. However, due to the great complexity of the PCB regulations and the highly fact-dependent nature of their application, we were unable to obtain a definitive response from EPA to our question.

Accordingly, while we continue to believe that the trench concrete is not subject to regulation as PCB remediation waste and despite the fact that its reuse is expressly allowed by our approved Demolition Soil Management Plan, out of an abundance of caution and a desire to comply fully with all potentially applicable regulations, we are submitting this notification of "self-implementing on-site cleanup and disposal of PCB remediation waste" to the EPA pursuant to 40 C.F.R. § 761.61(a)(3), with the proviso that the only "cleanup" within the scope of this notification is the demolition (i.e., excavation and reuse) of the trench concrete in the power block foundation. This notification does not apply to demolition of any other PCB wastes that are being sent off-site to an authorized PCB landfill for disposal. Nor does it apply to any soil at the site.

The currently scheduled completion date for the SBPP belowground demolition project is February 17, 2015. Removal of the concrete power block foundation is scheduled to be completed by November 18, 2014. In order to maintain the project schedule, Dynegy instructed the demolition contractor to begin excavation of the trench concrete from the Unit 1 power block on April 10, 2014, and to segregate that concrete from all other concrete rubble at the site (the other rubble is from areas that were not potentially exposed to PCBs). Excavation of the Unit 1 trenches and sumps was completed on April 30, 2014, and the concrete has been stockpiled separately, with the stockpile meeting the requirements of the Construction Storm Water Plan. Confirmation sampling was conducted by CH_2M Hill on the concrete floor and sides of the trench excavations, at locations within three feet of the original sample locations, in accordance with 40 C.F.R. Part 761, Subpart O. All confirmation samples were non-detect for PCBs, as shown in Table 3. The concrete removed from the Unit 1 trenches will not be crushed or reused pending EPA's response to this notification, or the passage of 30 days (per 40 C.F.R. § 761.61(a)(3)(ii)), whichever occurs first. Dynegy has instructed the demolition contractor to proceed with the demolition of the trenches in Units 2, 3 and 4 and to segregate this concrete from other concrete removed from the power block foundation, following the same procedure as was followed for Unit 1.

The disposition of the segregated trench concrete will depend on EPA's response (or non-response) to this notification. If EPA does not respond within 30 days or if EPA approves the self-implementing plan within that timeframe, Dynegy will instruct the contractor to proceed with the crushing of the trench concrete from all four units for on-site reuse as fill in accordance with the DTSC and Regional Board approved Demolition Soil Management Plan. As an additional precaution, Dynegy will have its environmental professional (CH_2M Hill) resample the stockpiled trench concrete in accordance with DTSC sampling guidance for final confirmation that PCB concentrations, if any, are below the relevant cleanup goals specified in the approved Demolition Soil Management Plan.

If on the other hand EPA disapproves the self-implementing plan, imposes conditions that are incompatible with the project, or requires additional information that will lead to unacceptable delay in completion of the belowground demolition project, Dynegy will instruct the

contractor to transport all trench concrete from Units 1 through 4 to a local solid waste landfill for disposal. Based on the analytical results to date, disposal of the concrete debris at a chemical waste landfill is not required. While less costly than disposal at a chemical waste landfill, disposal of the trench concrete at a local solid waste landfill would nevertheless add very significantly to the overall cost of the demolition project, and we strongly believe that on-site reuse is the most appropriate disposition for any concrete that contains PCBs at concentrations below the cleanup goals.

All information required by Section 761.61(a)(3) is provided in this letter and in the enclosed figures, tables and other attachments. This includes a description of the contamination; a plot plan of the power block showing the area of concern; a summary of the sampling procedures and a third-party review of the sampling procedures and sampling frequencies by Exponent, Inc. to confirm consistency with regulatory requirements; a plot plan showing measured PCB concentrations in all pre-cleanup samples, including wipe samples; sample collection and analysis dates; data summary tables containing pre- and post-demolition PCB concentrations; and the approved Demolition Soil Management Plan identifying the protocol followed during the demolition process. The written certification required by Section 761.61(a)(3)(E) is provided below.

> *The undersigned hereby certifies on behalf of Dynegy South Bay, LLC, as the ground lessee of the South Bay Power Plant and the entity responsible for conducting the belowground demolition of the plant, that all sampling plans, sample collection procedures, sample preparation procedures, extraction procedures, and instrumental/chemical analysis procedures used to assess or characterize the PCB contamination in the concrete trenches and sumps in the foundation of the South Bay Power Plant power block are on file at SBPP and are available for EPA inspection.*

* * * * *

If you have any questions concerning this notification, please contact me at (713) 767-4011.

Very truly yours,

Lee B. Bahl
Managing Director-Operations Support
Dynegy Operating Company

Enclosures:

Figure 1 – Site Location
Figure 2 – Power Block Trench and Sump System Schematic
Figure 3 – Sample Locations, Power Block Trenches and Sumps

Figure 4 – Results of PCB Sampling, Power Block Trenches, Sumps and Floor Surface
Tables 1-3 – Sampling Results
Attachment A – Technical Memorandum on Sampling Frequency (Exponent, 2014)
Attachment B – Demolition Soil Management Plan

Cc: John Scandura, Department of Toxic Substances Control
John Anderson, San Diego Regional Water Quality Control Board
San Diego Department of Environmental and Health

FIGURE 1

Site Location

FIGURE 2

Power Block Trench and Sump System Schematic

FIGURE 3

Sample Locations, Power Block Trenches and Sumps

FIGURE 4

Results of PCB Sampling, Power Block Trenches, Sumps and Floor Surface

TABLES 1, 2 and 3

Sampling Results

ATTACHMENT A

Technical Memorandum on Sampling Frequency (Exponent, 2014)

ATTACHMENT B

Demolition Soil Management Plan